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U S WEST, Inc.
Suite 700
1020 Nineteenth Street, NW
Washington, DC 20036
202 429-3133

USWEST

Glenn Brown
Executive Director-
Public Policy

July 22, 1996

Mr. William F. Cator, Acting Secretary
Federal Communications Commission
1919 M Street N.W. Room 222
Washington, D.C. 20554

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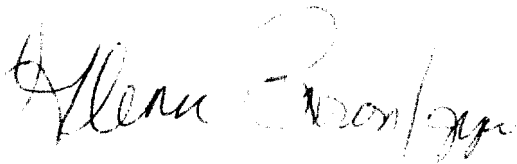
RE: CC Docket No.96-45

Dear Mr. Cator:

On July 17, 1996 Glenn Brown of U S WEST and Jim Dunbar of Sprint made a presentation to the Universal Service Joint Board Staff at their meeting at the NARUC Summer Meetings in Los Angeles, California. The subject of the presentation was an overview of the Benchmark Cost Model 2. The attached charts were used during the presentation.

In accordance with Commission Rule 1.1206(a)(1), two copies of the letter are being filed with you for inclusion in the public record. Acknowledgment and date of receipt are requested. A copy of this transmittal letter is provided for this purpose. Please contact me if you have questions.

Sincerely,



cc: Joint Board Service List

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BCM2

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**SPRINT
U S WEST**

**LOS ANGELES,
CA
JULY 17, 1996**

BENCHMARK COST MODEL

- **FILED SEPTEMBER 12, 1995**
- **PUBLICLY AVAILABLE**
 - **PROVIDED TO INTERESTED PARTIES**
 - **4 WORKSHOPS HELD**
- **DESIGNS A STATE-OF-THE-ART NETWORK**
 - **UTILIZES TODAY'S WIRE CENTER TOPOLOGY**
 - **CURRENT TECHNOLOGY AND COST**
 - **SINGLE BUILD-OUT**
 - **TERRAIN DRIVEN PLACEMENT COST DIFFERENTIALS**
 - **HIGH QUALITY TELEPHONE SERVICE**
- **BUREAU OF CENSUS DATA**
 - **CENSUS BLOCK GROUP (CBG) DETAIL**
- **DEVELOPS RELATIVE COSTS**
- **IDENTIFIES HIGH COST AREAS FOR TARGETED HIGH COST SUPPORT**

BENCHMARK COST MODEL LIMITATIONS

- **SIMPLIFIED FEEDER/DISTRIBUTION ARCHITECTURE**
- **DOES NOT INCLUDE BUSINESS LINES**
- **DOES NOT REFLECT URBAN COST STRUCTURES**
- **SIMPLIFIED EXPENSE/INVESTMENT DEVELOPMENT**
- **DOES NOT INCLUDE ALL EQUIPMENT ELEMENTS
NECESSARY TO PROVIDE TELEPHONE SERVICE**
- **NOT DESIGNED FOR PRICING TELEPHONE SERVICE**

BENCHMARK COST MODEL 2

- **FILED JULY 3, 1996**
- **ENHANCEMENTS IN THREE AREAS:**
 1. **IMPROVED COST DETERMINATION IN
SPARSELY POPULATED RURAL AREAS**
 2. **IMPROVED COST DETERMINATION IN
DENSE URBAN AREAS**
 3. **IMPROVED ACCURACY AND FLEXIBILITY
IN PROCESSING**

RURAL AREA ENHANCEMENTS

- **BCM ASSUMED UNIFORM DISTRIBUTION OF POPULATION THROUGHOUT THE CBG**
- **BCM2 UTILIZES ROAD NETWORK TO DETERMINE POPULATED AREA**
- **BCM2 UTILIZES WIRELESS TECHNOLOGY WHEN IT WOULD BE MORE EFFICIENT**
- **BCM2 WILL BE AVAILABLE FOR ALASKA, VIRGIN ISLANDS, PUERTO RICO AND MICRONESIA**

ENHANCEMENTS IN URBAN AREAS

- **BUSINESS LINES INCLUDED**
- **URBAN COST STRUCTURES MORE ACCURATELY REFLECTED**
- **PLANT PLACEMENT COSTS CALCULATED SEPARATE FROM CABLE COSTS**
- **FEEDER AND DISTRIBUTION ARCHITECTURES REFINED:**
 - **BCM ASSUMED FEEDER RAN TO CBG BOUNDARY AND FOUR (4) EQUAL DISTRIBUTION LEGS SERVE ALL CUSTOMERS IN THE CBG**
 - **BCM2 EXTENDS FEEDER INTO CBG, WHERE APPROPRIATE, AND PROVIDES AN APPROPRIATE NUMBER OF DISTRIBUTION CABLES SO THAT SERVICE IS PROVIDED ALONG EACH LOT LINE**
- **ADDITIONAL NETWORK ELEMENTS NECESSARY FOR THE PROVISION OF TELEPHONE SERVICE INCLUDED:**
 - **NID, DROP AND PEDESTAL**
 - **APPROXIMATELY \$200 INVESTMENT/LINE**
 - **APPROXIMATELY \$5/LINE/MONTH**

ACCURACY AND FLEXIBILITY ENHANCEMENTS

- **ENHANCED SWITCHING MODULE**
- **EXPENSE ELEMENTS MORE ACCURATELY DEVELOPED:**
 - **BCM APPLIED A SINGLE EXPENSE-TO-INVESTMENT MULTIPLIER**
 - **BCM2 IDENTIFIES THOSE EXPENSES WHICH ARE INVESTMENT RELATED AS WELL AS EXPENSES WHICH ARE LINE RELATED**
- **ADDITIONAL USER INPUT VARIABLES:**
 - **COPPER/FIBER BREAK POINT**
 - **LINES PER HOUSEHOLD**
 - **DEPTH AT WHICH WATER BECOMES AN ADDITIONAL COST FACTOR**
 - **IMPACT OF SLOPE ON COST**